

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 TRSE-00 COME-00 XMB-02 OMB-01

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FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC IMMEDIATE 5166

LIMITED OFFICIAL USE BUCHAREST 5396

E.O. 11652: N/A

TAGS: RO, ETRD, EFIN

SUBJ: MARINE CARGO INSURANCE

REF: STATE 239202

1. SUMMARY. INFORMATION SUPPLIED BY SOLE ROMANIAN INSURANCE AGENCY SHOWS THAT GOR SUPPORTS USE OF ITS AGENCY BY ITS FOREIGN TRADE ORGANIZATIONS (FTOS), BUT NOT TO EXCLUSION OF FOREIGN UNDERWRITERS. EMBASSY SEES LITTLE CAUSE FOR COMPLAINT OR FOR INTERGOVERNMENTAL AGREEMENT. DISCUSSION AT JOINT COMMISSION SHOULD ALERT GOR TO OUR CONCERN FOR FAIR PLAY IN THIS AREA. END SUMMARY.

2. EMBOFF HAD SURPRISINGLY OPEN DISCUSSION OF MARINE INSURANCE PRACTICES OF ADAS, ROMANIAN STATE MONOPOLY INSURANCE AGENCY, WITH ITS DEPUTY DIRECTOR, EMIL BOLDUS, AND CHIEF OF FOREIGN TRADE INSURANCE, MR. LUPANU. WHILE THEY WERE GENERALLY UNABLE TO PROVIDE HARD STATISTICS AS REQUESTED REFTEL, THEY WERE IN MOST CASES ABLE TO GIVE APPROXIMATIONS. RESPONSES TO FOUR QUESTIONS PARA 3 REFTEL GIVEN BELOW. LUPANU MENTIONED HE HAD RECENTLY RECEIVED AN IDENTICAL LIST OF QUESTIONS FROM AMERICAN INSURANCE UNDERWRITERS IN NEW YORK.

A. APPROX. 75-85 PERCENT OF ROMANIAN IMPORTS FROM  
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WEST COME FOB; APPROX. 45-50 PERCENT OF ROMANIAN

EXPORTS TO WEST GO CIF. CONTRARY TO GENERAL INTERNATIONAL PRACTICE, HIGH RISK ITEMS (ELECTRONIC INSTRUMENTS, GLASS) GENERALLY ARE SHIPPED FOB AND LOW RISK ITEMS (GRAIN, MINERAL, ORE) ARE SHIPPED CIF IN ROMANIAN TRADE WITH WEST.

B. ALL FTOS HAVE A GENERAL INSURANCE POLICY OR AGREEMENT WITH ADAS. IN CASES IN WHICH THE CONTRACT CALLS FOR THE FTO TO SUPPLY INSURANCE, IT IS OBLIGATORY FOR THE FTO TO PURCHASE THAT POLICY FROM ADAS. ADAS WRITES ALL ITS POLICIES IN THE CURRENCY OF THE SELLER, REGARDLESS OF WHO PURCHASES THE INSURANCE. THUS, FOR FOB IMPORTS FROM US, THE FTO IS CHARGED AND ADAS CREDITED BY BANK OF FOREIGN TRADE IN DOLLARS FOR AMOUNT OF PREMIUM. BOLDUS WRYLY COMMENTED THAT WHEN INSURANCE IS THE OBLIGATION OF THE WESTERN COMMERCIAL PARTNER, ADAS COMPETES FOR THAT BUSINESS TOO.

C. WHEN THE VALUE OF GOODS TO BE INSURED EXCEEDS \$250,000 (DOLLARS TWO HUNDRED FIFTY THOUSAND), THE AMOUNT IN EXCESS IS REINSURED. OF THAT REINSURANCE, BOLDUS WAS ABLE TO READ FROM STATISTICS IN FRONT OF HIM THAT US INSURERS GET 7.25 PERCENT; 20 PERCENT GOES TO SOCIALIST COUNTRIES' INSURANCE AGENCIES, BUT THE BULK GOES TO THE UK. ALL REINSURANCE, EVEN WITH SOCIALIST COUNTRIES, IS WRITTEN IN DOLLARS.

D. ALL ROMANIAN INSURANCE IS WRITTEN BY THE STATE MONOPOLY ADAS, WHICH FALLS NOMINALLY UNDER THE SUPERVISION OF THE MINISTRY OF FINANCE, BUT IS VIRTUALLY AN INDEPENDENT STATE AGENCY. OFFICIALLY, THE DETERMINATION TO SHIP FOB OR CIF, HENCE, PLACEMENT OF INSURANCE, IS STRICTLY A PRODUCT OF COMMERCIAL NEGOTIATIONS, INTO WHICH ADAS DOES NOT ENTER. PRACTICALLY, HOWEVER, BOLDUS ADMITS THAT THE MINISTRY OF FOREIGN TRADE PUTS PRESSURE ON FTOS TO IMPORT FOB AND EXPORT CIF. THE FACT THAT ADAS ALSO FEELS THIS PRESSURE MAY IMPLY THAT ADAS'S ROLE IS NOT HANDS-OFF.

3. FOLLOWING ALSO EMERGED FROM DISCUSSION:

A. WHEN IMPORTING FOB, FTO RECEIVES A NOTICE FROM ADAS, NOT A NEGOTIABLE INSURANCE POLICY; WHEN EXPORTING CIF TO US, LIMITED OFFICIAL USE

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AN OFFICIAL POLICY IS WRITTEN FOR BENEFIT OF RECIPIENT OF GOODS. BOLDUS SAID IT IS EXACT COPY OF POLICIES WRITTEN IN UK; AND, IN FACT, ADAS FORMS ARE EVEN PRINTED IN UK. IF, HOWEVER, US PARTNER PREFERS OTHER LANGUAGE ADAS CAN USE US TERMINOLOGY.

B. TRADE AMONG EUROPEAN CEMA MEMBERS DOES NOT REQUIRE MARINE CARGO INSURANCE SINCE THAT TRADE IS HANDLED BY RAIL. SELLER ARRANGES INSURANCE UP TO BORDER OF BUYER'S COUNTRY WHERE

INSURANCE RESPONSIBILITY SHIFTS TO BUYER. FOR IMPORTS FROM PRC, NORTH KOREA, CUBA, MARINE CARGO INSURANCE POLICIES ARE WRITTEN IN CURRENCY OF SELLER.

4. LIST OF QUESTIONS ALSO PASSED MINISTRY OF FOREIGN TRADE, BUT THEY HAVE NOT YET RESPONDED. WE WOULD BE SURPRISED IF THEIR RESPONSES MORE INFORMATIVE THAN THOSE OF ADAS OFFICIALS WHO HAD NOT BEEN ALERTED TO US-ROMANIAN JOINT ECONOMIC COMMISSION.

5. ADAS HAS NO UNDERSTANDINGS WITH GOVERNMENTS OF OTHER WESTERN COUNTRIES. REINSURANCE TREATIES HAVE BEEN SIGNED WITH NUMEROUS WESTERN INSURANCE AGENCIES.

6. SUPPLEMENTARY INFORMATION ON ADAS INSURANCE RATES BEING POUCHED.

7. COMMENT: ON BASIS INFO FROM ADAS, WE SEE NO POLICY OF FLAGRANT DISCRIMINATION OR ANY INCONSISTENCY WITH BILATERAL TRADE AGREEMENT TERMS. WE BELIEVE THAT A GOVERNMENT-TO-GOVERNMENT ARRANGEMENT IS THEREFORE NOT RPT NOT NECESSARY. NOR IS IT CLEAR TO EMBASSY WHAT COMPLAINTS WE CAN RAISE IN JOINT COMMISSION, ALTHOUGH IT MAY DO NO HARM TO SHOW OUR INTEREST IN THIS FIELD. BELIEVE BURDEN OF PROVING ROMANIAN DISCRIMINATION LIES WITH US UNDERWRITERS, NOT GOR, AT THIS POINT.  
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